

# Supplemental Earnings Information



Third Quarter 2014



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# OPERATING RESULTS

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# Reported Net Income, Items Affecting Comparability and Adjusted Net Income by Operating Activity



In millions, except per share data

	3Q 2014	3Q 2013	2Q 2014
<b><u>Net Income (Loss) Attributable to Hess Corporation (U.S. GAAP)</u></b>			
Exploration and Production	\$ 441	\$ 455	\$ 1,057
Corporate	(33)	(34)	(38)
Interest	(47)	(54)	(53)
Downstream Businesses	647	53	(35)
Net income attributable to Hess Corporation	\$ 1,008	\$ 420	\$ 931
Net income per share (diluted)	\$ 3.31	\$ 1.23	\$ 2.96
<b><u>Items Affecting Comparability of Earnings - Income (Expense)</u></b>			
Exploration and Production	\$ 29	\$ (3)	\$ 574
Corporate	(2)	(5)	(9)
Downstream Businesses	604	23	(66)
Total items affecting comparability of earnings between periods	\$ 631	\$ 15	\$ 499

(Continued)

# Reported Net Income, Items Affecting Comparability and Adjusted Net Income by Operating Activity



In millions, except per share data

	3Q 2014	3Q 2013	2Q 2014
<b><u>Adjusted Net Income (Loss)*</u></b>			
Exploration and Production	\$ 412	\$ 458	\$ 483
Corporate	(31)	(29)	(29)
Interest	(47)	(54)	(53)
Downstream Businesses	43	30	31
Adjusted net income attributable to Hess Corporation	\$ 377	\$ 405	\$ 432
Adjusted net income per share (diluted)	\$ 1.24	\$ 1.18	\$ 1.38
Weighted average number of shares (diluted)	305.0	343.3	314.1

\* The Corporation has used a non-GAAP financial measure in this supplemental earnings information. "Adjusted Net Income" presented throughout this supplemental information is defined as reported net income attributable to Hess Corporation excluding items identified as affecting comparability of earnings between periods. We believe that investors' understanding of our performance is enhanced by disclosing this measure. This measure is not, and should not be viewed as, a substitute for U.S. GAAP net income.

(Concluded)

# Items Affecting Comparability Between Periods



(Amounts are after income taxes)

## 3Q 2014

- **Exploration and Production** – Earnings include:
  - A gain of \$33 million from the sale of the Corporation's interest in an exploration asset in the United Kingdom North Sea.
  - Charges of \$4 million for severance and other costs.
- **Corporate** – Results include charges of \$2 million for severance and other costs.
- **Downstream Businesses** – Earnings include:
  - A gain of \$602 million related to the sale of the Corporation's retail business.
  - Income of \$114 million resulting from the liquidation of last-in, first-out (LIFO) inventories.
  - Charges totaling \$112 million resulting from impairment and other charges associated with the continued divestiture of the downstream businesses.

## 3Q 2013

- **Exploration and Production** – Earnings include a charge of \$3 million for employee severance costs.
- **Corporate** – Results include a charge of \$5 million for employee severance costs.
- **Downstream Businesses** – Earnings include income totaling \$23 million resulting from the net impact of a gain on the liquidation of LIFO inventories, largely offset by non-cash mark-to-market adjustments in energy marketing, employee severance, Port Reading refinery shutdown costs and other charges.

(Continued)

# Items Affecting Comparability Between Periods



(Amounts are after income taxes)

## 2Q 2014

- **Exploration and Production** – Earnings include:
  - A gain of \$706 million from the sale of the Corporation's assets in Thailand and a gain of \$35 million from the sale of acreage and related wells in the Utica.
  - A charge of \$105 million to write-off a previously capitalized exploration well in the western half of Block 469 in the Gulf of Mexico, since the block will not be part of the unitized Stampede Development Project.
  - Charges totaling \$62 million primarily to write-off leasehold acreage in the Paris Basin of France, the Shakrok Block in Kurdistan and an interest in a natural gas exploration project, offshore Sabah, Malaysia.
  
- **Corporate** – Results include charges of \$9 million for severance, exit related costs and other charges.
  
- **Downstream Businesses** – Earnings include:
  - A charge of \$72 million related to the termination of lease contracts and the purchase of retail gasoline stations in conjunction with the Corporation's divestiture of its retail business.
  - Charges totaling \$18 million for severance, exit related costs and other charges.
  - Income of \$24 million resulting from the liquidation of LIFO inventories.

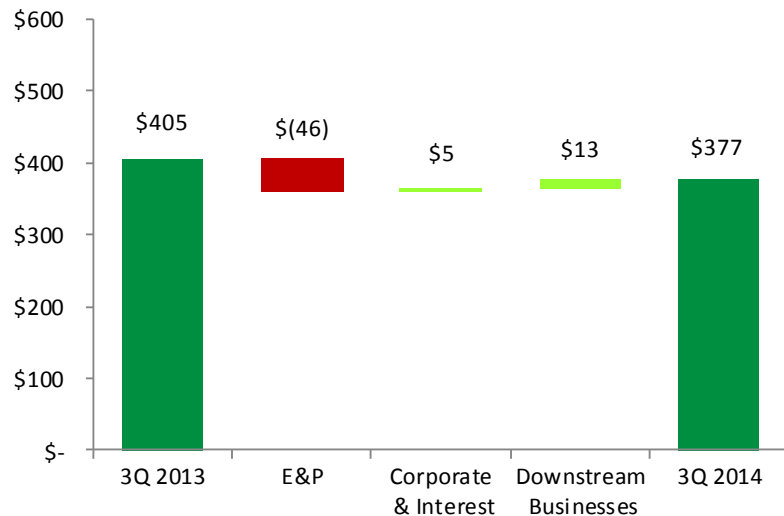
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# Consolidated Adjusted Net Income

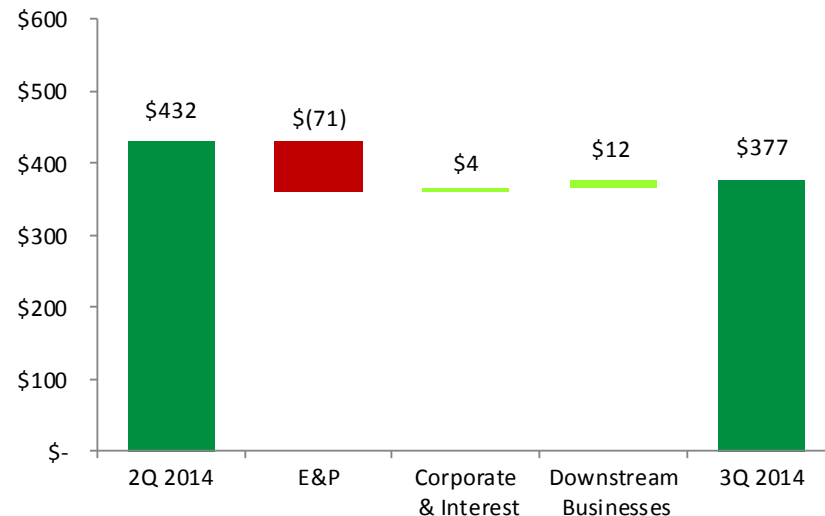


\$ Millions

**3Q 2014 vs. 3Q 2013**



**3Q 2014 vs. 2Q 2014**



	3Q 2014	3Q 2013	Incr. / (Decr.)
Exploration and Production	\$ 412	\$ 458	\$ (46)
Corporate and Interest	(78)	(83)	5
Downstream Businesses	43	30	13
Adjusted net income attributable to Hess Corporation	<u>\$ 377</u>	<u>\$ 405</u>	<u>\$ (28)</u>

	3Q 2014	2Q 2014	Incr. / (Decr.)
Exploration and Production	\$ 412	\$ 483	\$ (71)
Corporate and Interest	(78)	(82)	4
Downstream Businesses	43	31	12
Adjusted net income attributable to Hess Corporation	<u>\$ 377</u>	<u>\$ 432</u>	<u>\$ (55)</u>

# Analysis of Consolidated Adjusted Net Income



## 3Q 2014 vs. 3Q 2013

- **Exploration and Production** – The decrease in earnings was primarily due to lower realized selling prices and higher depreciation expenses, partially offset by higher crude oil sales volumes and lower cash operating costs and exploration expenses.
- **Corporate and Interest** – The decrease in expenses was primarily due to lower interest expenses.
- **Downstream Businesses** – The increase in earnings was primarily due to higher retail earnings and improved energy trading results.

## 3Q 2014 vs. 2Q 2014

- **Exploration and Production** – The decrease in earnings was primarily attributable to lower realized selling prices and crude oil sales volumes as well as higher depreciation expenses, which were partially offset by lower cash operating costs and exploration expenses.
- **Corporate and Interest** – The decrease in expenses was primarily due to lower interest expenses.
- **Downstream Businesses** – The increase in earnings was primarily due to higher retail earnings and improved energy trading results.

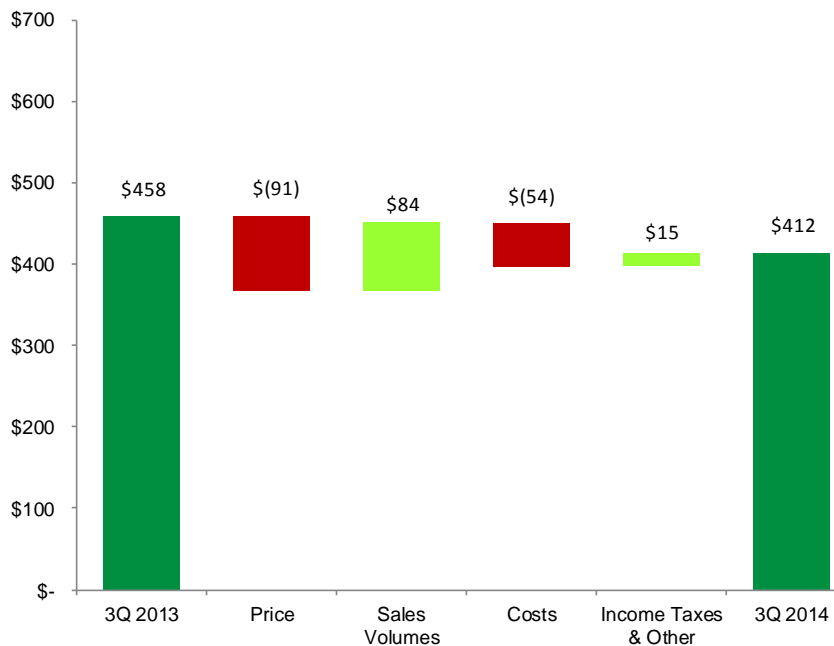


# Exploration and Production Adjusted Net Income

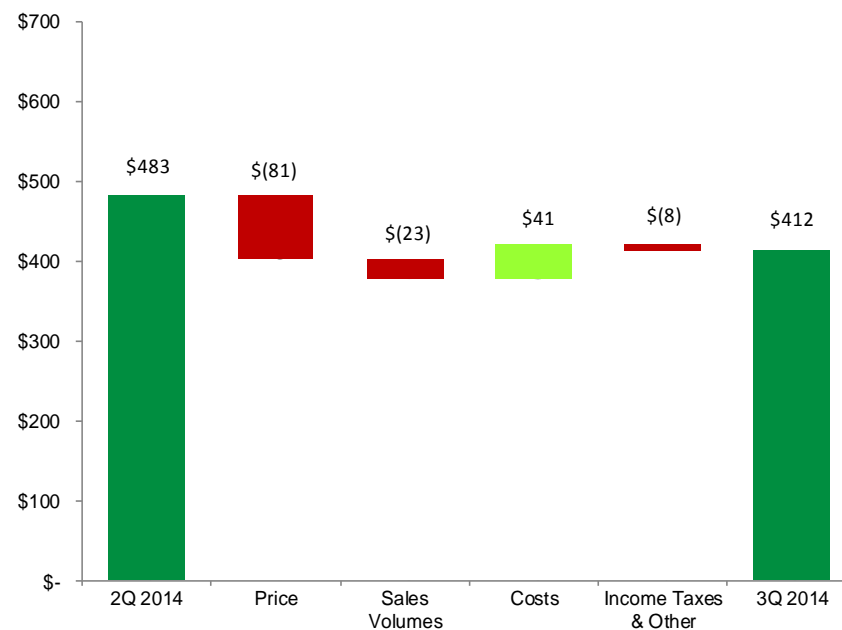


\$ Millions

**3Q 2014 vs. 3Q 2013**



**3Q 2014 vs. 2Q 2014**



	3Q 2014	3Q 2013	Incr. / (Decr.)
United States	\$ 218	\$ 208	\$ 10
International	194	250	(56)
<b>Total</b>	<b>\$ 412</b>	<b>\$ 458</b>	<b>\$ (46)</b>

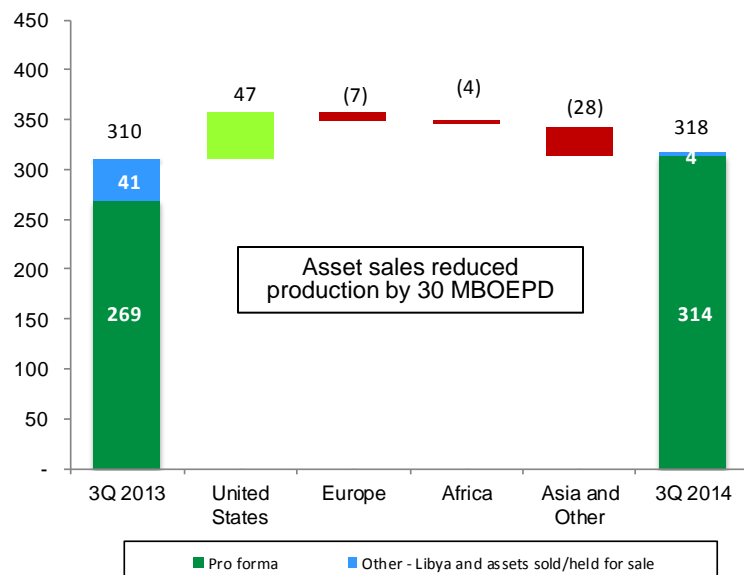
	3Q 2014	2Q 2014	Incr. / (Decr.)
United States	\$ 218	\$ 257	\$ (39)
International	194	226	(32)
<b>Total</b>	<b>\$ 412</b>	<b>\$ 483</b>	<b>\$ (71)</b>

# Worldwide Oil & Gas Production

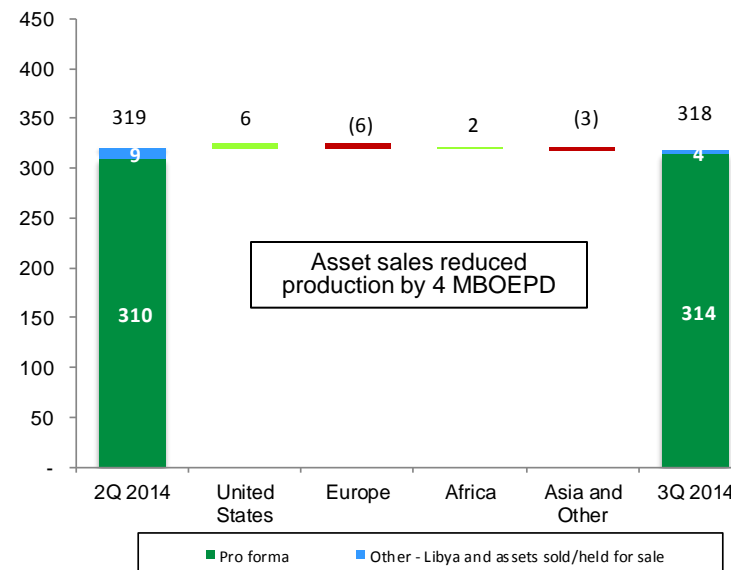


MBOEPD

**3Q 2014 vs. 3Q 2013**



**3Q 2014 vs. 2Q 2014**



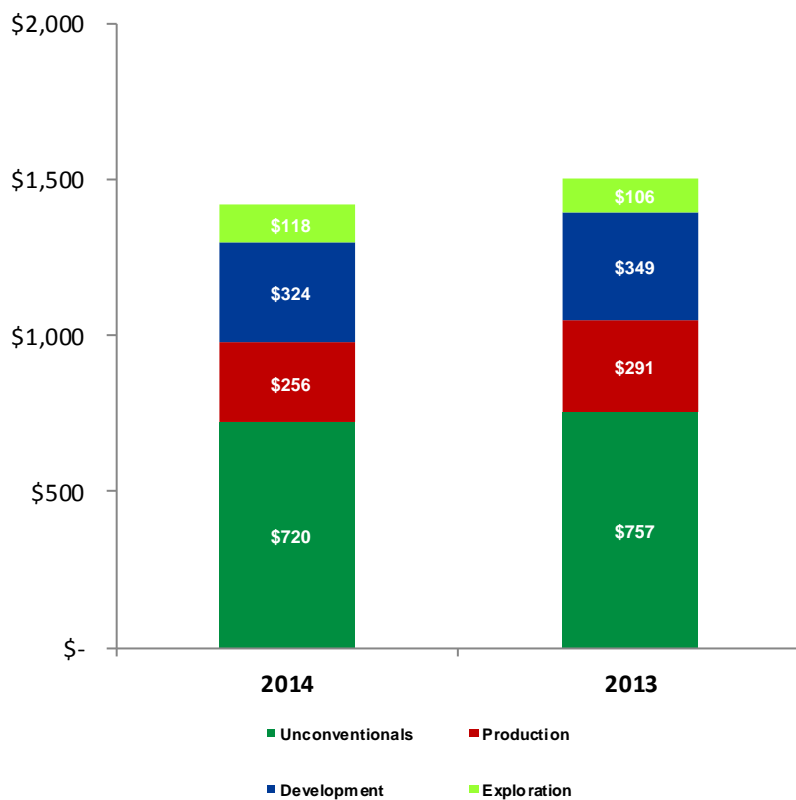
	3Q 2014	3Q 2013	Incr. / (Decr.)
<b>United States</b>			
Bakken	86	71	15
Other Onshore	27	17	10
Total Onshore	113	88	25
Offshore	70	48	22
<b>Total United States</b>	183	136	47
<b>Europe</b>	37	44	(7)
<b>Africa</b>	53	57	(4)
<b>Asia and other</b>	45	73	(28)
<b>Total</b>	318	310	8

	3Q 2014	2Q 2014	Incr. / (Decr.)
<b>United States</b>			
Bakken	86	80	6
Other Onshore	27	22	5
Total Onshore	113	102	11
Offshore	70	75	(5)
<b>Total United States</b>	183	177	6
<b>Europe</b>	37	43	(6)
<b>Africa</b>	53	51	2
<b>Asia and other</b>	45	48	(3)
<b>Total</b>	318	319	(1)

# Capital and Exploratory Expenditures – 3Q 2014 and 2013



\$ Millions



## Exploration and Production

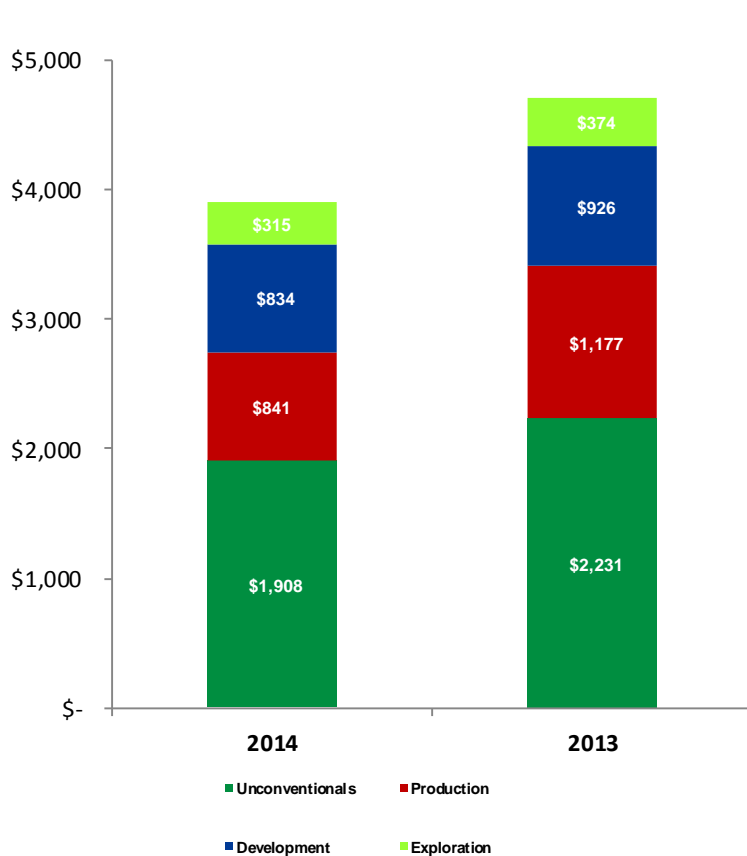
	Three Months Ended September 30,	
	2014	2013
United States		
Bakken	\$ 579	\$ 579
Other Onshore	184	173
Total Onshore	<u>763</u>	<u>752</u>
Offshore	205	208
Total United States	<u>968</u>	<u>960</u>
Europe	111	159
Africa	125	106
Asia and Other	214	278
<b>Total Capital and Exploratory Expenditures</b>	<u>\$ 1,418</u>	<u>\$ 1,503</u>
<b>Total exploration expenses charged to income included above</b>	<u>\$ 56</u>	<u>\$ 96</u>

(Continued)

# Capital and Exploratory Expenditures – YTD 2014 and 2013



\$ Millions



## Exploration and Production

	Nine Months Ended September 30,	
	2014	2013
United States		
Bakken	\$ 1,459	\$ 1,660
Other Onshore	545	565
Total Onshore	<u>2,004</u>	<u>2,225</u>
Offshore	524	653
Total United States	<u>2,528</u>	<u>2,878</u>
Europe	418	550
Africa	344	498
Asia and Other	608	782
<b>Total Capital and Exploratory Expenditures</b>	<u><u>\$ 3,898</u></u>	<u><u>\$ 4,708</u></u>
<b>Total exploration expenses charged to income included above</b>	<u><u>\$ 188</u></u>	<u><u>\$ 319</u></u>

(Concluded)



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## OTHER INFORMATION

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# 2014 Guidance to Investors



	Actual			Guidance**
	1Q	2Q	3Q	4Q
<b><u>Production (MBOEPD)</u></b>				
Pro forma	294	310	314	330 - 340
Bakken	63	80	86	92 - 97
<b><u>Unit Cost (\$/BOE)*</u></b>				
Cash Costs	\$21.11	\$23.47	\$21.76	\$20.50 - \$21.50
DD&A	\$25.19	\$26.88	\$28.48	\$29.00 - \$30.00
Total production unit costs	\$46.30	\$50.35	\$50.24	\$49.50 - \$51.50
<b>Exploration Expenses, Excluding Dry Hole Costs (\$ Millions)*</b>	\$107	\$83	\$78	\$180 - \$200
<b>E&amp;P Effective Tax Rate*</b>	39%	34%	41%	41% - 43%
<b><u>Capital and Exploratory Spend (\$ Millions)</u></b>				
Total	\$1,224	\$1,256	\$1,418	\$1,900
Bakken	\$451	\$429	\$579	\$750
<b><u>Other (\$ Millions)*</u></b>				
Corporate expenses, after-taxes	\$30	\$29	\$31	\$35 - \$40
Interest expenses, after-taxes	\$51	\$53	\$47	\$50 - \$55

<b><u>Hedged Volumes for 4Q</u></b>	
WTI - MBOPD	20
WTI - \$/BBL average	\$100.41
Brent - MBOPD	40
Brent - \$/BBL average	\$109.17

\* Excludes "items affecting comparability".

\*\* Guidance excludes any contribution from Libya.

**Crude Oil Price Sensitivity – Estimated 4Q Impact of a \$1 Change in Benchmark Oil Prices (based on 4Q guidance):**

**Net Income: ~\$8 million**

**Cash Flow: ~\$13 million**

# Debt Adjusted Cash Flow (DACF)



	Nine Months Ended September 30, 2014	
	\$ Millions	\$/BOE
Income from continuing operations	\$ 1,769	
Plus:		
Interest expense	241	
Provision for income taxes	575	
Depreciation, depletion and amortization	2,349	
Exploration expenses	669	
Items affecting comparability included in non-operating income	(717)	
Adjusted EBITDA	4,886	
Less: provision for current income taxes	342	
Cash margin (DACF) - continuing operations	\$ 4,544	\$ 52.34
Production (MBOEPD)	318	
Production (MMBOE)	86.8	

## Basis of Presentation:

The calculation of debt adjusted cash flow (DACF) for the nine months ended September 30, 2014 represents Adjusted EBITDA less current taxes from continuing operations. DACF is a non-GAAP measure that is commonly used to value exploration and production companies and should not be viewed as a substitute for U.S. GAAP net income or any other similar U.S. GAAP measure. A reconciliation of net income from continuing operations to DACF from continuing operations is provided above.

## Definitions:

Adjusted EBITDA – Earnings before interest, taxes, depreciation and amortization from continuing operations plus exploration expenses, less items affecting comparability of earnings between periods included in non-operating income.



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# BAKKEN OPERATIONAL DATA

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# Bakken Production - 2014



		Net Production by Product				
		2014				
		YTD Avg	4Q	3Q	2Q	1Q
Oil	MBBLPD	61		63	64	58
NGL	MBBLPD	9		15	8	2
Gas	MMCFPD	36		46	48	15
Total	MBOEPD*	76		86	80	63

		Net Production by Operatorship				
		2014				
		YTD Avg	4Q	3Q	2Q	1Q
Operated	MBOEPD	67		76	70	54
Outside Operated	MBOEPD	9		10	10	9
Total	MBOEPD	76		86	80	63

% Outside Operated	12%	12%	13%	14%
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\* Includes natural gas production converted on the basis of relative energy content (six mcf equals one barrel).

# Bakken Production - 2013



## Net Production by Product

		2013				
		FY Avg	4Q	3Q	2Q	1Q
Oil	MBBLPD	55	57	57	52	53
NGL	MBBLPD	6	5	7	6	6
Gas	MMCFPD	38	33	44	39	34
Total	MBOEPD*	67	68	71	64	65

## Net Production by Operatorship

		2013				
		FY Avg	4Q	3Q	2Q	1Q
Operated	MBOEPD	59	59	63	56	58
Outside Operated	MBOEPD	8	9	8	8	7
Total	MBOEPD	67	68	71	64	65

% Outside Operated	12%	13%	12%	12%	11%
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\* Includes natural gas production converted on the basis of relative energy content (six mcf equals one barrel).

# Bakken Operational Well Statistics - 2014



Hess Operated Wells						
		2014				
		YTD Avg	4Q	3Q	2Q	1Q
<b>Rig Count</b>						
Drilling	No. Rigs	17		17	17	17
Drilling Days	Spud-to-Spud	22		22	22	23
		2014				
		YTD	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
Drilled	by Qtr	183		71	66	46
Completion	by Qtr	148		60	46	42
On Production	by Qtr	142		59	53	30
On Production - Other	Cum. to date adj. *	22		-	-	22
On Production	Cum. to date	886		886	827	774
<b>Well Performance</b>						
Average Frac Stage	by Qtr	34		35	33	33
Average 30-day IPs	Gross BOPD**	893		826	976	880

Outside Operated Wells						
		2014				
		YTD	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
On Production	by Qtr	110		47	30	33
On Production - Other	Cum. to date adj. *	(14)		4	12	(30)
On Production	Cum. to date	855		855	804	762

\* Reflects changes arising from the impact of swaps, acquisitions, divestitures and other working interest adjustments.

\*\* Based on weighted average of total number of wells.

# Bakken Operational Well Statistics - 2013



## Hess Operated Wells

		2013				
		FY Avg	4Q	3Q	2Q	1Q
<b>Rig Count</b>						
Drilling	No. Rigs	14	14	14	14	15
Drilling Days	Spud-to-Spud	26	26	24	27	26

		2013				
		FY	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
Drilled	by Qtr	195	49	52	45	49
Completion	by Qtr	181	56	39	49	37
On Production	by Qtr	168	46	50	42	30
On Production	Cum. to date	722	722	676	626	584

### Well Performance

Average Frac Stage	by Qtr	29	31	30	27	29
Average 30-day IPs	Gross BOPD	806	892	743	797	793

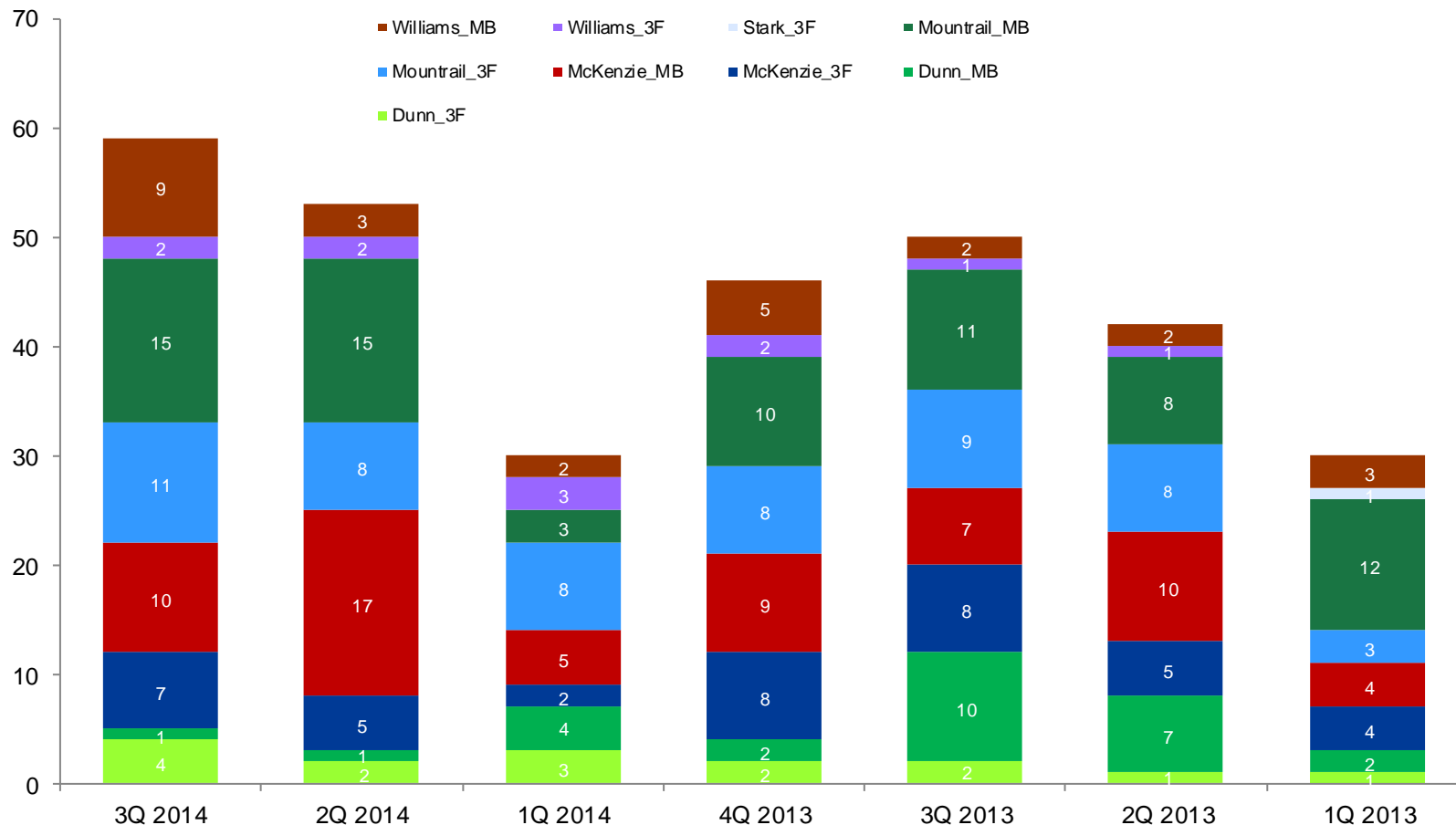
## Outside Operated Wells

		2013				
		FY	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
On Production	by Qtr	162	42	54	37	29
On Production	Cum. to date	759	759	717	663	626

# Hess Operated Bakken Wells Brought on Production by County and Formation



Bakken Wells



Middle Bakken

3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
35	36	14	26	30	27	21

Three Forks

3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
24	17	16	20	20	15	9

Total

3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013	20
59	53	30	46	50	42	30	

# Bakken Well Costs, Working Interest and Acreage - 2014



## Average Well Cost - Hess Operated

		2014				
		YTD	4Q	3Q	2Q	1Q
Drilling	\$MM/Well	\$ 4.4		\$ 4.2	\$ 4.5	\$ 4.7
Completion	\$MM/Well	2.9		3.0	2.9	2.8
Total	\$MM/Well	\$ 7.3		\$ 7.2	\$ 7.4	\$ 7.5

## Average Working Interest of New Wells Spud each Quarter

		2014				
		YTD	4Q	3Q	2Q	1Q
Hess Operated	%	75%		76%	75%	74%
Outside Operated	%	12%		11%	12%	12%

## Net Acreage Position

		2014			
		4Q	3Q	2Q	1Q
Total Acreage	'000 acres		635	642	644

# Bakken Well Costs, Working Interest and Acreage - 2013



## Average Well Cost - Hess Operated

		2013				
		FY	4Q	3Q	2Q	1Q
Drilling	\$MM/Well	\$ 4.9	\$ 4.8	\$ 4.8	\$ 5.1	\$ 4.8
Completion	\$MM/Well	3.2	2.8	3.0	3.3	3.8
Total	\$MM/Well	\$ 8.1	\$ 7.6	\$ 7.8	\$ 8.4	\$ 8.6

## Average Working Interest of New Wells Spud each Quarter

		2013				
		FY	4Q	3Q	2Q	1Q
Hess Operated	%	80%	74%	78%	83%	84%
Outside Operated	%	12%	12%	11%	12%	12%

## Net Acreage Position

		2013			
		4Q	3Q	2Q	1Q
Total Acreage	'000 acres	645	648	645	665



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# UTICA OPERATIONAL DATA

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# Utica Operational Well Statistics - 2014



## Rig Count

	2014				
	YTD Avg	4Q	3Q	2Q	1Q
<b>Horizontal JV Rig Count - No. of Rigs</b>					
Drilling - Hess Op	3		3	3	3
Drilling - Consol Op	1		1	1	1
Drilling - Total Utica JV	<u>4</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>4</u>

## Well Count <sup>1</sup>

	2014					
	ITD <sup>2</sup>	YTD	4Q	3Q	2Q	1Q
<b>No. of JV Wells</b>						
Drilled - Hess Op	33	16		7	3	6
Drilled - Consol Op	29	12		3	7	2
Drilled - Total Utica JV	<u>62</u>	<u>28</u>	<u>-</u>	<u>10</u>	<u>10</u>	<u>8</u>

*Notes:*

- Well counts exclude Hess 100% and 3<sup>rd</sup> party wells.*
- Inception to date (ITD), includes wells drilled prior to 2014.*

# Utica Operational Well Statistics - 2013



## Rig Count

	2013				
	FY Avg	4Q	3Q	2Q	1Q
<b>Rig Count - No. of Rigs</b>					
Drilling - Hess Op	2	2	2	2	2
Drilling - Consol Op	1	-	1	1	1
Drilling - Total Utica JV	3	2	3	3	3
Drilling - Hess 100%	1	1	1	1	1
Drilling - Total Utica	4	3	4	4	4

## Well Count

	2013					
	ITD *	FY	4Q	3Q	2Q	1Q
<b>No. of Wells</b>						
Drilled - Hess Op	17	15	8	2	4	1
Drilled - Consol Op	17	9	-	3	4	2
Drilled - Total JV	34	24	8	5	8	3
Drilled - Hess 100%	7	5	-	2	2	1
Drilled - Total Utica	41	29	8	7	10	4

\* Inception to date (ITD), includes wells drilled prior to 2013.

# Utica JV Net Revenue Interest & Net Acreage - 2014



## Joint Venture Average Net Revenue Interest

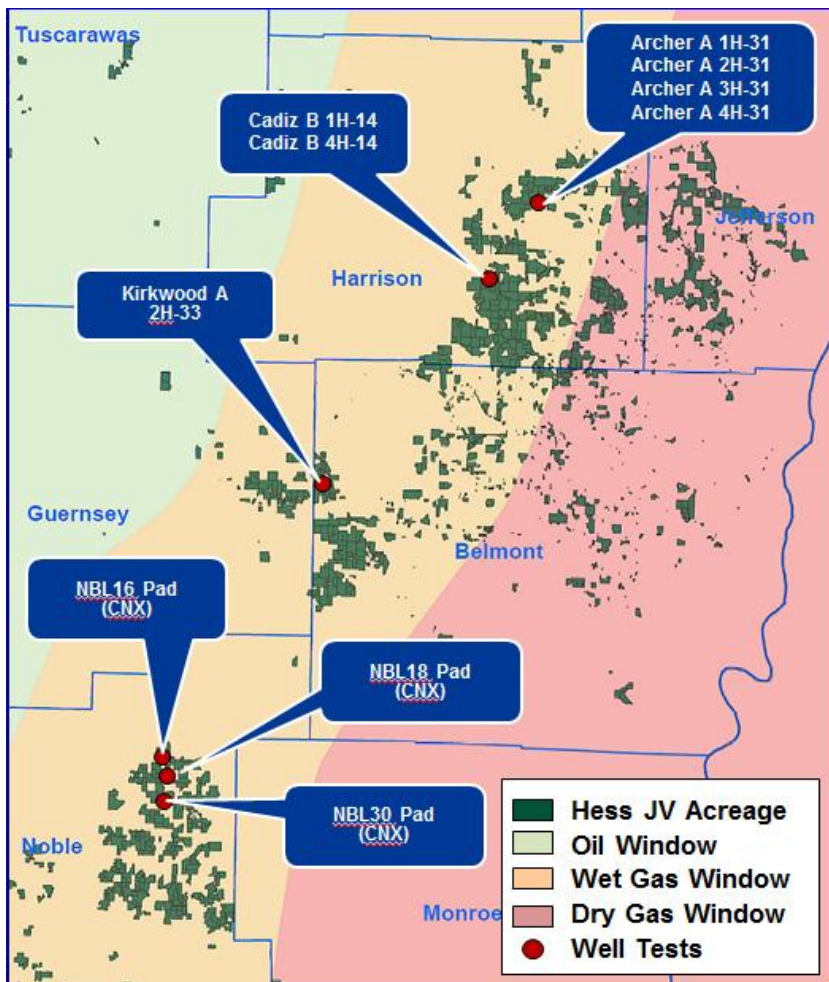
	2014				
	YTD Avg	4Q	3Q	2Q	1Q
JV Average Net Revenue Interest	95%		95%	95%	95%

## Joint Venture Net Acreage Position - '000 acres

	2014			
	4Q	3Q	2Q	1Q
JV Net Acreage *		44	43	43

\* Excludes approximately 30k net joint venture acreage to be jointly marketed with Consol and 2k net acres deemed to be outside of the Corporation's defined core area.

# Utica JV Well Test Results – 3Q 2014



Well No	County	Well Test Results
Cadiz B 1H-14	Harrison	3,833 boe/d, 47% Liquids
Cadiz B 4H-14	Harrison	3,290 boe/d, 47% Liquids
Archer A 1H-31	Harrison	2,379 boe/d, 43% Liquids
Archer A 2H-31	Harrison	2,526 boe/d, 43% Liquids
Archer A 3H-31	Harrison	3,066 boe/d, 43% Liquids
Archer A 4H-31	Harrison	2,502 boe/d, 43% Liquids
Kirkwood A 2H-33	Belmont	1,473 boe/d, 61% Liquids

**Note:** In addition, CONSOL tested and placed in service seven wells from three of their operated pads, located in Noble County, during the third quarter. In aggregate, 24-hour test rates from these wells averaged approximately 2,700 boepd with 60% liquids.